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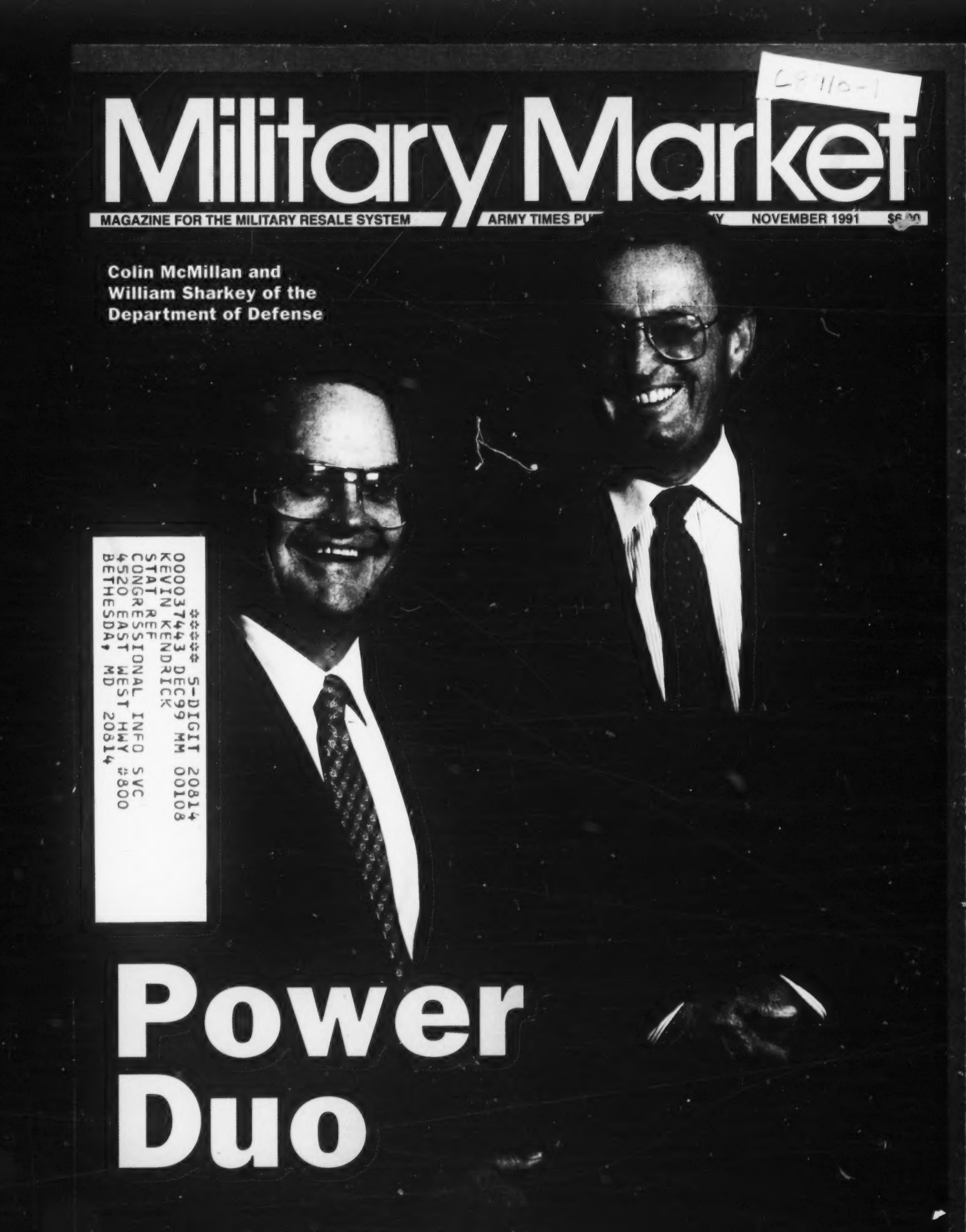
# Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM ARMY TIMES PU[illegible]Y NOVEMBER 1991 $6.00

Colin McMillan and William Sharkey of the Department of Defense



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# Power Duo

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COVER PHOTO by KATE PATTERSON, DESIGN by JEROLD COUNCIL



**Military Market**
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# Military Market Index

| COMMISSARIES | | JULY | | | YEAR-TO-DATE | | |
|---|---|---|---|---|---|---|---|
| | | CY '90 | CY '91 | % CHANGE | CY '90 | CY '91 | % CHANGE |
| ARMY | CONUS | $126,315 | $136,300 | +7.90 | $900,900 | $954,700 | +5.97 |
| | OVERSEAS | 42,945 | 48,100 | +12.00 | 319,935 | 325,390 | +1.71 |
| | **TOTAL** | **169,260** | **184,400** | +8.94 | **1,220,835** | **1,280,090** | +4.85 |
| AIR FORCE | CONUS | 183,863 | 194,740 | +5.92 | 1,330,854 | 1,360,394 | +2.22 |
| | OVERSEAS | 37,930 | 40,724 | +7.37 | 283,703 | 281,607 | -0.74 |
| | **TOTAL** | **221,793** | **235,464** | +6.16 | **1,614,557** | **1,642,001** | +1.70 |
| NAVY | CONUS | 70,429 | 73,549 | +4.43 | 532,261 | 548,498 | +3.05 |
| | OVERSEAS | 7,767 | 7,473 | -3.79 | 57,334 | 61,382 | +7.06 |
| | **TOTAL** | **78,196** | **81,022** | +3.61 | **589,595** | **609,880** | +3.44 |
| MARINES CORPS | CONUS | 15,685 | 16,292 | +3.87 | 114,181 | 113,838 | -0.30 |
| | OVERSEAS | 275 | 311 | +13.09 | 2,091 | 2,195 | +4.97 |
| | **TOTAL** | **15,960** | **16,603** | +4.03 | **116,272** | **116,033** | -0.21 |
| COAST GUARD | CONUS | 288 | 279 | -3.11 | 2,176 | 2,229 | +2.44 |
| | OVERSEAS | 348 | 284 | -18.39 | 2,082 | 2,123 | +1.97 |
| | **TOTAL** | **636** | **563** | -11.48 | **4,258** | **4,352** | +2.21 |
| | CONUS | $396,580 | $421,160 | +6.20 | $2,880,372 | $2,979,659 | +3.45 |
| ALL COMMISSARIES | OVERSEAS | $89,265 | $96,892 | +8.54 | $665,145 | $672,697 | +1.14 |
| | **TOTAL** | **$485,845** | **$518,052** | **+6.63** | **$3,545,517** | **$3,652,356** | **+3.01** |
| *GROCERY STORES* | *U.S.*[1] | *$28.825bil.* | *$30.017bil.* | *+4.14%* | *$195.0338bil.* | *$200.971bil.* | *+3.04%* |

| EXCHANGES | | JULY | | | YEAR-TO-DATE | | |
|---|---|---|---|---|---|---|---|
| AAFES | CONUS | $341,277 | $353,126 | +3.47 | $2,274,487 | $2,411,256 | +6.01 |
| | OVERSEAS | 242,547 | 256,548 | +5.77 | 1,696,512 | 1,860,854 | +9.69 |
| | **TOTAL** | **583,824** | **609,674** | **+4.43** | **3,970,999** | **4,272,110** | **+7.58** |
| MAIL ORDER | CONUS[2] | 1,206 | 1,103 | -8.54 | 7,877 | 10,945 | +38.95 |
| | OVERSEAS[2] | 2,314 | 1,718 | -25.76 | 16,314 | 19,133 | +17.89 |
| | **TOTAL**[3] | **3,520** | **2,821** | **-19.86** | **24,191** | **30,178** | **+24.75** |
| NAVY | CONUS[4] | 100,167 | 108,345 | +8.16 | 749,954 | 775,192 | +3.37 |
| | OVERSEAS[4] | 46,793 | 47,387 | +1.27 | 337,847 | 351,539 | +4.00 |
| | **TOTAL**[4] | **146,960** | **155,732** | **+5.97** | **1,087,801** | **1,126,731** | **+3.85** |
| MARINES CORPS | CONUS | 31,470 | 33,248 | +5.65 | 215,140 | 218,699 | +1.65 |
| | *OVERSEAS | 3,843 | 5,629 | +46.47 | 25,386 | 5,191 | +38.84 |
| | **TOTAL**[2] | **35,313** | **38,877** | **+10.09** | **240,526** | **72,673** | **+5.58** |
| COAST GUARD | CONUS[2] | 9,841 | 9,606 | -2.40 | 65,638 | 67,522 | +2.87 |
| | OVERSEAS | 739 | 728 | -1.49 | 5,000 | 5,151 | +3.02 |
| | **TOTAL**[2] | **10,580** | **10,333** | **-2.33** | **70,638** | **72673** | **+2.88** |
| ALL EXCHANGES | CONUS | $483,961 | $505,427 | +4.44 | $3,313,096 | $3,483,614 | +5.15 |
| | OVERSEAS | $296,236 | $312,010 | +5.32 | $2,081,059 | $2,272,022 | +9.18 |
| | **TOTAL** | **$780,197** | **$817,437** | **+4.77** | **$5,394,155** | **$5,755,636** | **+6.70** |
| *DEPARTMENT STORES* | *U.S.*[1] | *$12.475bil.* | *$12.999bil.* | *+4.20%* | *$85.976bil.* | *$88.578bil.* | *+3.03%* |

Number of transactions: 332,632 (Marine Corps Commissaries) 1) Source: U.S. Department of Commerce. 2) MM estimate, based on official data. 3) Includes consolidated sales for all services, including Coast Guard. 4) Does not include sales of ships stores. *Camp Butler data not available for current month. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume. Distribution of sales by ConUS and overseas is based on definition by respective service and system. Figures do not include sales tax..

Marty Baumann

# True to its word, DeCA extends shopping hours

On Oct. 1, the Defense Commissary Agency established longer operating hours at nearly half of its stores.

Beginning on Oct. 1, 166 of the 411 commissaries worldwide extended their shopping hours by an average 8 percent. No commissaries have been ordered to reduce hours.

Some store managers said they would not be able to extend their hours immediately after Oct. 1 because they needed to hire more workers first.

At places like McClellan AFB, Calif., the addition of 10 hours per week will mean shoppers can fill their carts until 8 p.m. on Tuesdays through Fridays. Before commissaries were consolidated into a joint-service agency, the store usually shut its doors on weeknights at 5 p.m. "It should be a convenience," said an employee at the McClellan commissary.

At NAB Little Creek, Va., the commissary planned to add 10 shopping hours per week by mid-October. "We're waiting to get the people on board before we can implement the hours," said Douglas Buntley, the assistant manager, who said he needs 15 to 25 more temporary cashiers. The jobs, which are at the GS-3 pay grade, pay about $6.50 per hour.

Officials said a recent agency survey of more than 2,400 commissary customers showed the one thing patrons wanted most was longer shopping hours.

The commissaries and the number of hours added to their weekly schedules are listed below in alphabetical order.

Aberdeen, Md. (10)
Alameda, Calif. (5)
Altus, Okla. (3)
Amberg, Germany (2)
Anderson, Guam (2)
Andrews, Md. (6)
Argentia, Canada (2)
Athens, Ga. (1)
Atsugi, Japan (2)
Bad Nauheim, Germany (3)
Bad Kissingen, Germany (1)
Bad Kreuznach, Germany (3)
Bangor, Maine (6)
Barksdale, La. (2.5)
Baumholder, Germany (4)
Beale, Calif. (6)
Bentwaters, England (0.5)
Berlin, Germany (1)
Bindlach, Germany (2)
Bitburg, Germany (1)
Bolling, D.C. (10)
Bremerton, Wash. (4)
Brooks, Texas (2)
Buedingen, Germany (2)
Cameron Station, Va. (2)
Camp Casey, South Korea (4)
Camp Courtney, Japan (4)
Camp Edwards, South Korea (3)
Camp Humphreys, South Korea (2)
Camp Kure, Japan (12)
Camp Merrill, Ga. (3)
Camp Pendleton, Calif. (8)
Camp Stanley, South Korea (2)
Carlisle Barracks, Pa. (4)
Charleston AFB, S.C. (2)
Charleston NB, S.C. (3)
Chievres, Belgium (2)
China Lake, Calif. (5)
Conrad, Mont. (3)
Dahlgren, Va. (2)
Darmstadt, Germany (1)
Davis-Monthan, Ariz. (8)
Dhahran, Saudi Arabia (2)
Dickinson, N.D. (1.5)
Eglin, Fla. (6)
Eielson, Alaska (4)
El Centro, Calif. (3)
El Toro, Calif. (6)
Elmendorf, Alaska (6)
Espinar, Panama (2)
Exmouth, Australia (2)
Fairchild, Alaska (8)
Fallon, Nev. (2)
Fitzsimons, Colo. (1)
Fort Bragg (Mallonee Village), N.C. (2)
Fort Campbell, Ky. (5)
Fort Devens, Mass. (4)
Fort Eustis, Va. (4)
Fort Gordon, Ga. (2)
Fort Greely, Alaska (2)
Fort Leavenworth, Kan. (2)
Fort Lee, Va. (5)
Fort Lewis, Wash. (3)
Fort McClellan, Ala. (4)
Fort Meade, Md. (2)
Fort Monmouth, N.J. (7)
Fort Myer, Va. (2)
Fort Ord, Calif. (4)
Fulda, Germany (2)
Germersheim, Germany (3)
Gila Bend, Ariz. (4)
Goodfellow, Texas (1.5)
Griffiss, N.Y. (8)
Gulfport, Miss. (2)
Hadnot Point, N.C. (2)
Hamilton, Calif. (7)
Hanau, Germany (22)
Hanscom, Mass. (4)
Havre, Mont. (1)
Heidelberg, Germany (2)
Hickam, Hawaii (2.5)
Holbrook, Ariz. (3)
Holy Loch, Scotland (2)
Homestead, Fla. (4)
Iwakuni, Japan (8)
Jacksonville, Fla. (2.5)
Karlsruhe, Germany (4)
Keesler, Miss. (2)
Keflavik, Iceland (5)
Kelly, Texas (2)
Key West, Fla. (4)
Kings Bay, Ga. (4)
Kinser, Japan (4)
Kunsan, South Korea (4)
Lackland, Texas (3)
La Junta, Colo. (2)
Langley, Va. (5)
Laughlin, Texas (3)
Lemoore, Calif. (5)
Little Creek, Va. (10)
Little Rock, Ark. (6)
Long Beach, Calif. (5)
Loring, Maine (6)
MacDill, Fla. (2)
Malmstrom, Mont. (6)
Maxwell, Ala. (2)
Mayport, Fla. (2)
McChord, Wash. (5.5)
McClellan, Calif. (10)
McGuire, N.J. (4)
Memphis, Tenn. (2)
Mildenhall, England (1.5)
Mitchell Field, Wis. (6)
Moffett Field, Calif. (7)
Mountain Home, Idaho (6)
Naples, Italy (5)
New London, Conn. (6)
New York, N.Y. (2)
Oceana, Va. (8)
Orlando, Fla. (4)
Patrick, Fla. (6)
Peterson Field, Colo. (4)
Point Mugu, Calif. (2)
Pope, N.C. (2)
Port Hueneme, Calif. (6)
Portsmouth, Va. (5)
Powell, Wyo. (3)
Quantico, Va. (8)
Randolph, Texas (3)
Redstone Arsenal, Ala.(2)
Rhein-Main, Germany (6)
Riyadh, Saudi Arabia (2)
Robins, Ga. (2)
Robinson Barracks, Germany (25)
Roosevelt Roads, P.R. (5)
Rota, Spain (1)
Sagamihara, Japan (4)
San Diego, Calif. (1)
San Miguel, Philippines (6)
Sasebo, Japan (1.5)
Schinnen, The Netherlands (2)
Scott, Ill. (2)
Sculthorpe, England (10)
Seattle, Wash. (4)
Sembach, Germany (0.5)
Seymour Johnson, N.C. (3)
Shaw, S.C. (4)
Skaggs Island, Calif. (3)
Spangdahlem, Germany (6)
Stockton, Calif. (5)
Subic Bay, Philippines (7)
Taegu, South Korea (2)
Travis, Calif. (4)
Twentynine Palms, Calif. (6)
Vicenza, Italy (2)
Vilseck, Germany (2)
Walter Reed, D.C. (6)
Whidbey Island, Wash. (8)
White Sands, N.M. (4)
Wilder, Idaho (3)
Wildflecken, Germany (2)
Wright-Patterson, Ohio (8)
Wuerzburg, Germany (10)
Yokosuka, Japan (2)
Yongsan, South Korea (4)
Zweibruecken, Germany (1)

# DoD releases its base closing, realignment schedules

The Defense Department has released dates for closures and realignments approved this year by the Base Closure and Realignment Commission.

The Air Force will move much faster than the Army and Navy to close unneeded bases. A tentative schedule released by the Defense Department shows the Air Force plans to close seven bases in 1993, five in 1994 and one in 1995. The Navy plans to close only one base each of those years and then close three in 1996 and three in 1997. The Army plans to close two bases in 1996 and three in 1997.

Below is a list of tentative dates, shown in chronological order.

### CLOSURES

| | |
|---|---|
| NSSA *Los Angeles*, Calif. | Sept. '92 |
| NOSC Det. *Kaneohe*, Hawaii | Aug. '93 |
| *Bergstrom* AFB, Texas | Sept. '93 |
| *Carswell* AFB, Texas | Sept. '93 |
| NAS *Chase Field*, Texas | Sept. '93 |
| *Eaker* AFB, Ark. | Sept. '93 |
| *England* AFB, La. | Sept. '93 |
| *Myrtle Beach* AFB, S.C. | Sept. '93 |
| *Williams* AFB, Ariz. | Sept. '93 |
| *Wurtsmith* AFB, Mich. | Sept. '93 |
| ICSTF *San Diego*, Calif. | Aug. '94 |
| NMWEA *Yorktown*, Va. | Aug. '94 |
| CBC *Davisville*, R.I. | Sept. '94 |
| *Grissom* AFB, Ind. | Sept. '94 |
| *Loring* AFB, Maine | Sept. '94 |
| *Lowry* AFB, Colo. | Sept. '94 |
| *Richards-Gebaur* AFB, Mo. | Sept. '94 |
| *Rickenbacker* AFB, Ohio | Sept. '94 |
| NESEC *San Diego*, Calif. | Aug. '95 |
| *Castle* AFB, Calif. | Sept. '95 |
| NESEC *Vallejo*, Calif. | Sept. '95 |
| NAVSTA *Puget Sound* (Sand Point), Wash. | Oct. '95 |
| *Fort Devens*, Mass. | June '96 |
| NWEF *Albuquerque*, N.M. | Sept. '96 |
| *Fort Ord*, Calif. | Sept. '96 |
| NSY *Philadelphia*, Pa. | Sept. '96 |
| NAVSTA *Philadelphia*, Pa. | Sept. '96 |
| NAVSTA *Long Beach*, Calif. | Oct. '96 |
| *Fort Benjamin Harrison*, Ind. | July '97 |
| *Harry Diamond Lab*, Woodbridge, Va. | Sept. '97 |
| NAS *Moffett Field*, Calif. | Sept. '97 |
| *Sacramento Army Depot*, Calif. | Sept. '97 |
| NAVSTA *Treasure Island* (Hunters Pt.), Calif. | Sept. '97 |
| MCAS *Tustin*, Calif. | Sept. '97 |

### REALIGNMENTS

| | |
|---|---|
| NUWES *Keyport*, W. Va. | Sept. '92 |
| NWC *China Lake*, Calif. | Sept. '92 |
| *Mountain Home* AFB, Idaho | Sept. '92 |
| TRCCSMA *Newport*, R.I. | Sept. '92 |
| *Beale* AFB, Calif. | Sept. '93 |
| NWSC *Crane*, Ind. | Sept. '93 |
| *Goodfellow* AFB, Texas | Sept. '93 |
| NOS *Indian Head*, Md. | Sept. '93 |
| NOS *Louisville*, Ky. | Sept. '93 |
| Mather AFB, Calif. | Sept. '93 |
| NSCSES *Norfolk*, Va. | Sept. '93 |
| VSCOM/TROSCOM, *St. Louis*, Mo. | Sept. '93 |
| *MacDill* AFB, Fla. | March '94 |
| *Aeromedical Research Lab*, Ala. | Sept. '94 |
| Army Inst. of *Dental Research*, D.C. | Sept. '94 |
| Army *Research Inst.*, Va. | Sept. '94 |
| Army Research Inst. of *Environ. Med.*, Mass. | Sept. '94 |
| *Biomedical Research* Dev. Ctr., Md. | Sept. '94 |
| *Fort Chaffee*, Ark. | Sept. '94 |
| *Fort Dix*, N.J. | Sept. '94 |
| NARC *Lakehurst*, N.J. | Sept. '94 |
| *Letterman* LAIR, Calif. | Sept. '94 |
| *March* AFB, Calif. | Sept. '94 |
| NAF *Midway Island* | Sept. '94 |
| NAPC *Trenton*, N.J. | Sept. '94 |
| *Walter Reed* Army Inst. of Research, D.C. | Sept. '94 |
| DTRC Det. *Annapolis*, Md. | Sept. '95 |
| *Army Aviation* Aerostructures Directorate, Va. | Sept. '95 |
| Ground Vehicle *Propulsion Research*, Mich. | Sept. '95 |
| NAC *Indianapolis*, Ind. | Sept. '95 |
| PMTC *Point Mugu*, Calif. | Sept. '95 |
| FCDSSA *San Diego*, Calif. | Sept. '95 |
| NSWC Det. *White Oak*, Md. | Sept. '95 |
| *Fort Polk*, La. | Sept. '96 |
| *Letterkenny* Army Depot, Pa. | Sept. '96 |
| NUSC Det. *New London*, Conn. | Sept. '96 |
| NCSC *Panama City*, Fla. | Sept. '96 |
| NADC *Warminster*, Pa. | March '97 |
| Army Materials *Technology Lab*, Mass. | Sept. '97 |
| *Atmospheric Science Lab*, N.M. | Sept. '97 |
| *Belvoir* R&D Ctr., Va. | Sept. '97 |
| *Ctr. for Night Vision* & Electro-Optics, Va. | Sept. '97 |
| *Electronic Technology* Device Laboratory, N.J. | Sept. '97 |
| *Harry Diamond Labs*, Md. | Sept. '97 |
| *Picatinny Arsenal*, N.J. | Sept. '97 |
| *Redstone Arsenal* (ICP), Ala. | Sept. '97 |
| *Rock Island Arsenal* (IOC), Ill. | Sept. '97 |

# Wheeler starts HQ hiring freeze

The new commander of AAFES took less than a week to put his stamp on the agency.

Army Maj. Gen. Albin G. Wheeler announced a hiring freeze on Oct. 4, just five days after taking over command of the agency from retiring Air Force Maj. Gen. Jeffery D. Kahla.

> *"I intend for AAFES to return the loyalty of our employees to every extent we can . . ."*
>
> *— Army Maj. Gen. Albin G. Wheeler*

Because of the end of the Cold War and the resulting troop drawdown, Wheeler said in a news release, "There is no doubt that we in AAFES must take a series of actions from an organizational and a staffing point of view."

The freeze will last for an indeterminate period, according to AAFES spokesman Col. Helmer A. Gunhus. It applies to universal annual (UA) salaried employees and hourly paid personnel (HPP) in the Dallas headquarters and in headquarters elements at the AAFES Operations Support Center.

The freeze does not apply to ConUS region offices and AAFES distribution activities, including the Fashion Distribution Center in Dallas. Gunhus said AAFES does not currently anticipate extending the freeze to those areas.

Gunhus said the freeze was only applied to the headquarters "because in the last few years we're already taken a series of organizational and functional realignment steps in our field elements." He cited the realignment of ConUS region operations under Project Fresh Start as an example.

Wheeler announced that action would be stopped on any UA personnel requests not already processed, as well as any HPP vacancies that have not yet been posted. Gunhus said exceptions to the freeze will be reviewed on a case-by-case basis, and if found to be necessary, the actions to fill a needed vacancy will be approved by the commander.

When asked if employees will be shuffled around to fill critically understaffed positions, Gunhus said headquarters support to field activities will remain the same, and "staffing decisions will be addressed, as they occur, on a case-by-case basis."

Gunhus added that store staffing will continue to be done based on store sales and customer traffic patterns.

Wheeler sought to reassure current employees about job security. "We will help you to the extent possible during this 'build-down' phase by providing opportunities for those already on our payroll to be assigned to other positions as they come open through attrition," Wheeler said in the press release.

"Loyalty is a two-way street, and I intend for AAFES to return the loyalty of our employees to every extent we can in the coming environment."

Wheeler said the shape of the AAFES staff will be changing to reflect the 25 percent drawdown, but he expects that customer service will not suffer because of the reduction.

"Our focus in the years ahead will continue to be on the customer, our stockholder. We will tailor our work force to do the job required while ensuring we give the best possible service to those soldiers and airmen who are the reason for our existence," Wheeler said.

Gunhus said the freeze is not an effort to save money, but "an effort to adjust to the changing realities of the military resale world. We feel it is far better to undergo a freeze now, when we know reductions in the military services and our customer base are coming, than to wait and be forced to institute a less desirable RIF [reduction in force] at some future date."

Market Report

*"My experience in the marketplace is they don't ignore 800-pound gorillas."*

*— Colin McMillan, Assistant Secretary of Defense (for Production and Logistics) concerning DeCA's buying power*

# " H&BA " Stands for: Make Room for Profit

**By Tim Boivin, Associate Editor**

People in the health and beauty aids industry feel DeCA is one 800-pound gorilla that should be feasting on more than just bananas and other food items.

Maj. Gen. John P. Dreska apparently agrees. The agency's director announced in May that DeCA would increase the number of H&BA stock-keeping units it carries by 50 percent.

That decision brought immediate reaction from the exchange systems, some of whose executives appear to believe that exchanges will lose H&BA sales to commissaries — where products are sold at cost plus five percent, well below exchange markups.

The exchange systems carried their concerns all the way to Colin McMillan, whose Pentagon office oversees both commissary and exchange operations. Interviews indicate that the exchange systems were worried that the commissary agency plans to expand its list of authorized H&BA categories.

But officials from both DeCA and the Pentagon say that this is not what DeCA is going to do.

"I don't think John Dreska ever intended to reach out into new H&BA areas that they're not covering now," said William Sharkey, McMillan's director of program support, during an interview with MILITARY MARKET. DeCA plans "just to provide more selection," Sharkey said.

"After he [Dreska] made that speech, I heard, for sure, from all of the exchange systems expressing concern . . . . I know John Dreska has had dialogue with those guys [in the exchange systems], and I think they will work out an accommodation."

During the same interview, McMillan said that he was aware of the dispute between the resale systems over H&BA stockage, but said that the exchange systems and DeCA should resolve it among themselves and not involve him. As long as DeCA sticks to the categories that are currently approved for sale in commissaries, McMillan indicated, Dreska is probably on solid ground to order such an increase.

Jacques Loraine, chief of the operations division in DeCA's operations directorate, said he expects the line item increase to be made in 12 to 18 months — after the agency has gone through its product reviews and reset its stores.

"We're not expanding our current authorized categories," Loraine emphasized in a telephone interview. "We're staying with the same categories of products that were authorized. That way, we're not infringing upon our brothers over in the exchange system."

## EXCHANGES WILL BE AFFECTED

Do the exchange systems have a lot to lose? Taking a look at AAFES' H&BA sales for the past three years, it would seem so.

In 1988, H&BA sales in AAFES were $234.3 million, but that jumped to $251.5 million in 1989. It leveled off in 1990 to $250.3 million, but in just seven months this year AAFES already did $156.7 million. AAFES is eyeing another large jump next year, projecting sales of $265 million.

Officially, spokesman Lt. Col. Louis J. Ammirati says the total effect on AAFES of DeCA's decision to expand "is yet to be determined."

The Navy Exchange Service Command's H&BA buyer, Mary Poitevint, said that her agency has "no plans to alter our strategy for H&BA at this time" as a response to DeCA's line item expansion.

However, Poitevint said the advent of NEXCOM's new Centralized Buying Office, which permits large-volume ordering for Navy exchanges, will allow NEXCOM to have "an overall improved core stock assortment, which will enable us to keep up with changing trends and implementing those changes quicker."

Poitevint said new Electronic Data Interchange partnerships with H&BA and other suppliers will also help reduce inventories and improve in-stock performance.

John Price, the head of retail operations for the Marine Corps exchange system, said in an interview that expanding H&BA SKUs in the commissaries "sounds like a good move on their part."

Price said that H&BA is 4½ percent of the Marine Corps exchange business, adding, "I'm sure that that's going to have some impact on those exchanges that are in close proximity to the commissaries."

Price termed the decision to expand commissary H&BA SKUs a "tough call," but said he hoped DeCA and the exchange systems will be able to work together in the future on changes that could prove detrimental to either of the systems.

"Maybe we don't do that [offer competing products] where there's an exchange right next door to a commissary, but it would be nice if we sat down and talked, instead of going in opposite directions," he said.

Price said part of the problem stems from the traditional quandary of deciding which type of shopping benefit a product should fall under: the appropriated fund commissaries or the non-appropriated fund world of exchanges.

"You're serving two masters here," Price explained. "One is strictly a service that's appropriated, that the people have worked for, that is part of their benefit. The other one is also a benefit package, but the profits go to supporting the MWR program throughout the world.

"Where it impacts on the funds provided to MWR, I think someone has to take a long, hard look at that and

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make a good, business-type decision."

Price said with the increased H&BA assortment in commissaries, exchanges will be challenged to come up with different marketing strategies for H&BA.

"It's up to us, probably, to either carry different sizes or to merchandise differently than what the commissaries carry," Price said. "We normally respond to these kinds of moves by either enlarging our assortments, cutting back our assortments, or trying to do something within that classification that's going to have the customer pick up our product," he said.

"But if you display your product properly, run your VPR specials, have the right item at the right time at the right place, the customer is going to buy it," Price concluded.

## PLEASED WITH EXPANSION

DeCA's Jacques Loraine said the commissary agency is in the process of standardizing its product categories to "get our language the same as industry, so when we do category reviews, we review the same things."

However, he added, having the product categories aligned with industry standards will not result in DeCA bringing in any new items currently unauthorized by Congress.

Corporate military sales managers have applauded the move.

"I think this is long overdue," said one manager who did not wish to be identified. "I think from their standpoint [H&BA has] always been such a minor part of the commissary business because they've always been so commodity-related. I definitely believe the potential is there," he said.

"Even in the civilian market now, H&BA products are becoming a bigger and bigger part of the store. One of the reasons is the dollar volume that can be displaced from a smaller square footage standpoint," this manufacturer's representative concluded.

Likewise, the exchange systems have also benefited from tremendous profits the H&BA category generates from a relatively small amount of space. Those profits in turn become dividends for the MWR program. The exchange system fears are that a sizable chunk of the H&BA business may go out exchange doors and into commissary doors once Dreska pumps up the H&BAs, and that MWR dividends will subsequently suffer.

H&BA military sales managers contacted by MILITARY MARKET don't think this will happen.

"I think the exchanges might look at it as taking business from each other, but they can co-exist," said Lee Harris of Warner-Lambert. "It happens in the civilian world right now, where you'll see a Wal-Mart with a Target right across the street from it."

Harris was one of the military sales managers who put together the H&BA industry presentation that convinced Dreska to increase health and beauty SKUs. The presentation, made during the spring, included information provided by a number of H&BA producers, and was given by Lewis Williams of Johnson & Johnson to DeCA's top executives, including Dreska.

The presentation hyped the growth opportunities for DeCA in the health and beauty care category. It showed that in 1990, H&BA growth in domestic commissaries was just 3.8 percent, although it was 5.4 percent in civilian food stores, according to an A.C. Nielsen study.

In addition, that 3.8 percent growth rate in commissaries lagged well behind the overall 7 percent overall growth rate that commissaries had during 1990. H&BA in commissaries ranked eighth out of nine categories. Only beverages had less growth in ConUS stores.

The industry presentation also recommended that DeCA do a better job of seizing seasonal H&BA opportunities. For example, "cough and cold this time of year should increase by four or five feet, because of the number of the items that are involved in it," Warner-Lambert's Harris said.

At $1.3 billion in retail sales, the cough and cold category, Harris said, is "the biggest promotional category of the year for H&BA .... You need to expand the section to get more products in that category."

To do that, DeCA would have to decrease the amount of space it dedicates to some other category. Historically, flexibility of this type has been a problem for commissaries, but suppliers hope that the advent of a single agency to manage commissaries will help fix the problem.

"You've got to be flexible enough to expand and contract a category to tie in with the seasons ... and they [commissaries] have not been doing that," Harris said. "That's one way the civilian market takes advantage of

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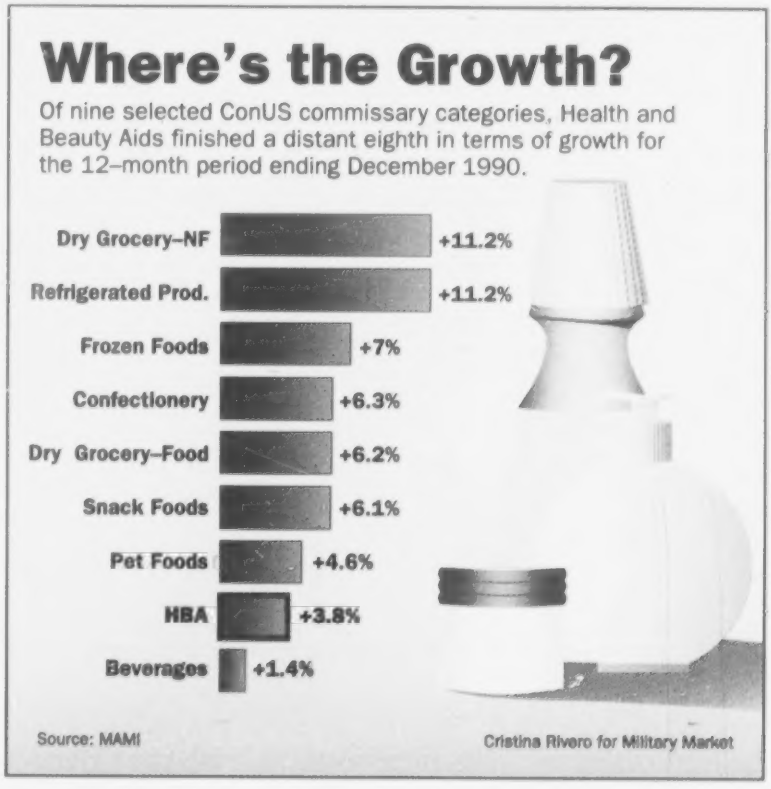
Where's the Growth?
Of nine selected ConUS commissary categories, Health and Beauty Aids finished a distant eighth in terms of growth for the 12–month period ending December 1990.
Dry Grocery–NF +11.2%
Refrigerated Prod. +11.2%
Frozen Foods +7%
Confectionery +6.3%
Dry Grocery–Food +6.2%
Snack Foods +6.1%
Pet Foods +4.6%
HBA +3.8%
Beverages +1.4%
Source: MAMI
Cristina Rivero for Military Market

*"Over the long term, I probably get more bounce for my buck out of promotions in the commissaries than in the exchanges."*

the manufacturers, because they do flex their departments."

### BIG BUCKS IN COUPONING

Another military sales manager said he hoped commissaries will experiment more with H&BA in the future. "Commissaries stay with the old staples. They are not as aggressive as civilian retail to try new items and to make changes," said Robert Smalkin of L'Oreal.

Smalkin added that, if commissaries "do become more aggressive, it would be a great thing for them and for the patron, because the patron would get a greater opportunity to buy a competitive product."

The H&BA category offers tremendous potential in couponing, both for customers and for DeCA itself, and this was another of the arguments the industry used to try to convince Dreska to increase shelf space.

"There are bigger bucks in H&BA in couponing than in any other categories," said Walter Loving of Monarch Crown. "In terms of redemption [rates] and value [of coupons], they are the leading category for the commissaries to expand into."

DeCA's Jacques Loraine said coupons were not the deciding factor in expanding commissary H&BA selections, even though DeCA could use the seven or eight cents each coupon is worth in redemption fees to the agency.

"That's always a perspective that the manufacturer will have, that their couponing events will be the ones that drive the customer in," Loraine said.

"We'll get some, but I don't think it will be any more than what we will get across the board. We'll get some money back into our CRF [Commissary Revolving Fund] money, and of course the [U.S.] Treasury gets back into their system some of our coupon handling fee, to kind of offset the administrative costs."

However, industry representatives warned DeCA not to ignore the benefits of coupons, especially since advertising is so closely tied to coupons, and coupon face values are on the rise.

"We're gearing our whole advertising schedule in 1992 to emphasize more couponing," said Steve Brunello of Miles, Inc. "I completely revamped the whole advertising schedule to 'SKU' more coupons. I'm looking to increase the coupon value significantly. I want to get away from the 35 and 50 cent type of thing, and get into the 75 cents and a dollar."

Warner-Lambert's Harris said increased couponing results in flexibility.

"Eckert Drug increased 'cough and cold' by 10 percent to take advantage of couponing," Harris pointed out. "I think personnel in DeCA should be more attuned to what's happening with H&BA because we do generate a tremendous amount of patron savings. I think they need to look closer at it as a promotional vehicle."

Loraine said a decision on realigning categories in the stores will be made after some additional analysis.

"We're going to be looking at total product movement. There are some areas that are kind of getting soft in the market today . . . we probably have more SKU facings in the store than we need," Loraine said.

In its new stores, DeCA plans to locate H&BA products in an alcove so patrons have plenty of time to shop the category without impeding store traffic flow.

"We noticed [that with] where we had health and beauty within our normal product flow we were stagnating our customer flow a little bit, because the customer's trying to do price comparison shopping on some very small items," Loraine explained.

Loraine said that while Dreska is sticking to his guns on the SKU expansion issue, the DeCA commander was scheduled to meet with commanders of the exchange systems during the American Logistics Association convention in late October to iron out any other difficulties. Monarch Crown's Loving is one industry representative who hopes Dreska doesn't back down.

"They should absolutely pursue this," Loving said. "They probably run about 50 percent less in any given category than the chains outside. It's not a number pulled out of the air." Loving said he thinks commissaries really need to expand in the analgesics and skin care areas.

Neal Harris of Johnson Products said he thinks DeCA should give more space to ethnic H&BA products. Loraine admitted that the commissaries have lagged behind in ethnic H&BA products, and will probably increase their offerings in that area.

### MORE THAN $1 TO SPEND

Regardless of what categories get increased, Loraine downplays the argument that exchanges will suffer when commissaries expand their H&BA space.

"In the minds of a lot of people, a military member only has one dollar to spend, and when he's spending his dollar, he's got to make a decision whether to spend it with the exchange or the commissary," Loraine said.

"That's not true. He's got more than one dollar. I think what we might do is bring people back on post to shop rather than going outside the gate to shop at some of the local discount stores. We're trying to give that lower-graded individual an opportunity to try to save some of his income."

And Loraine said that exchanges would also benefit when commissaries increase their H&BA space.

"Past experiences I've had is that when we've brought a product line in that they [in exchanges] were not carrying, it actually brought their sales up because they've started bringing the item in.

"I can think of one time we were selling hair color. We only sold the kit, we didn't do the refills. Their refill business went berserk," Loraine said.

One military sales manager said he would prefer to increase his business with the commissaries because they pass 100 percent of a deal on to their customers. He said AAFES, like other retailers such as Wal-Mart and Kmart, may put an item on sale for three or four days, but the agency makes a killing on the low price because it purchases two or three months worth of product at the sale price.

"Over the long term, I probably get more bounce for my buck out of promotions in the commissaries than in the exchanges," he said. MM